

# FISCAL NOTE

**Bill #:** HB0487

**Title:** Tax deduction with standard deduction for health care premiums

**Primary Sponsor:** Ballantyne, N

**Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

### **FY 2004 Difference**

### **FY 2005 Difference**

#### **Expenditures:**

General Fund

\$41,891

#### **Revenue:**

General Fund

\$(36,000)

\$(36,000)

#### **Net Impact on General Fund Balance:**

\$(36,000)

\$(77,891)

- |   |  |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input type="checkbox"/> Technical Concerns                      |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

## Fiscal Analysis

### ASSUMPTIONS:

1. This bill would allow individual income taxpayers who take the standard deduction to also take a deduction for the amount of premium payments made by the taxpayer for insurance for medical care for coverage of the taxpayer, the taxpayer's spouse, and the taxpayer's dependents.
2. The bill applies to tax years beginning after December 31, 2003 (tax year 2004). There would be no fiscal impact in fiscal year 2004.
3. Current law already provides for a full deduction of medical insurance premiums for taxpayers who itemize deductions. Taxpayers who can afford to make out-of-pocket medical insurance premiums are likely to be itemizing their deductions, as these taxpayers also are likely to be paying federal income taxes on their earnings that would require itemizing deductions to begin with. It is likely to be a rare occurrence where a taxpayer who takes the standard deduction would also take a deduction just for out-of-pocket medical insurance premiums. However, some taxpayers will do this. These taxpayers are likely to be in the lower taxable income brackets (again, because taxpayers in higher income brackets would likely be itemizing deductions, and already are taking the itemized deduction for medical insurance premiums).
4. The revenue impact from this bill is likely to be very small. This fiscal note assumes that 200 taxpayers taking the standard deduction will also take a deduction for medical insurance premiums of \$3,600 (\$300 per month for 12 months), and face a marginal tax rate of 5%. The resulting reduction in revenue is \$36,000 per year (200 X \$3,600 X 5% = \$36,000).

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(continued)

5. Administrative costs for the Department of Revenue would increase by \$41,891 in fiscal 2005 to modify systems programs to provide for an additional itemized deduction to be included with the standard deduction amount.

<u>FISCAL IMPACT:</u>	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Expenditures:</u>		
Contracted Services		\$40,200
Operating Expenses		549
Equipment		<u>1,143</u>
TOTAL		\$41,891
<u>Funding of Expenditures:</u>		
General Fund (01)		\$41,891
<u>Revenues:</u>		
General Fund (01)	\$(36,000)	\$(36,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$(36,000)	\$(77,891)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

No impact.

LONG-RANGE IMPACTS:

General fund revenues will be reduced by a minimal amount each year.